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ABSTRACT

This paper examines the genesis of Arizona's charter school law and discusses the key features of that law. Drawing on published sources and interviews conducted from November 1997 to March 2000 with 46 Arizona educators and policymakers, the paper details the conditions that prompted the broad push for charter schools. The text describes the state's political landscape, the concerted effort that was required to pass a charter school law, and the confusion that surrounded the sudden implementation of the law. It describes how charter operators were relatively unconstrained in determining their curricula, the variation among schools, and the type of students who typically attend these schools. Information on oversight and accountability is supplied, along with descriptions of efforts by public schools to compete for students and the negative responses engendered by such competition. The article claims that the Arizona experience vivifies the significance of charter schooling, and it outlines how the political success of charter school advocates reshaped the way policymakers and educators discuss accountability and schooling, encouraging those wishing to put more emphasis on outputs and less on inputs. However, it is not yet clear whether charter schools do a better job of educating students than do district schools. (Contains 27 references.) (RJM)

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Letting a Thousand Flowers (and Weeds) Bloom:

The Charter Story in Arizona

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Why Arizona?

Arizona is the only state with something approaching an institutionalized free market in public education. Marrying the entrepreneurial and anti-bureaucratic philosophy of the wide open West, a dominant Republican Party, relatively weak teachers unions, and an executive branch that has aggressively promoted charter schools, Arizona provides a milieu in which charter schooling has rapidly grown into a prominent and discourse-shaping feature of the state's public school system. Arizona is thus a useful laboratory demonstrating how a large-scale charter school system can evolve and how it affects schooling.

In 1994, Arizona adopted the law that quickly fostered the nation's most expansive system of charter schools. The Arizona charter school law allows public, private non-profit, and for-profit schools to open as charter schools. In addition, private schools can convert to charter status. Up to 25 charters annually can be granted by the Arizona State Board of Education, with another 25 by an activist and consciously political State Board for Charter Schools and by local school boards seeking to generate new sources of revenue. A single charter holder can open multiple sites. In short, the Arizona charter school law has few of the restrictions typical of charter laws elsewhere (Hassel 1999). Accordingly, Arizona has 351 charter school campuses as of October 1999, approximately 21% of the nation's total.

How did Arizona come to this point? What triggered the decision to embark on an aggressive venture into charter schooling? Using published sources and interviews conducted with 46 Arizona educators and policy-makers from November 1997 to March 2000, we examine why how Arizona's charter law passed and the key features of that law.

How the Law Passed

As in many states, Arizona parents and legislators expressed increasing concern about the mediocre performance of the state's students during the late 1980s and the early 1990s. The *Arizona Republic*, the state's dominant daily newspaper, editorialized on several occasions about the need to improve state schooling.

In Arizona, student scores on the National Assessment of Education (NAEP) tests put the state at the bottom third of the 41 states participating in the state-level assessments in 1992. Moreover, only about 27% of Arizona students took the ACT Assessment, the dominant college-entrance exam in the state. Correspondingly, in 1994, only 50% of Arizona seniors went on to higher education, the eighth lowest rate in the nation (Miller 1997). Finally, as of 1990, Arizona's dropout rate of 14.4 percent significantly exceeded the national average of 11.2 percent (U.S. Bureau 1997). Constituents pressured legislators to do something significant to improve public education. School vouchers and charter schools, both of which were gaining increasing national attention during the early 1990s, were proposed by conservative state legislators as potential solutions.

Many other states had equally severe concerns about their educational systems, but their political systems typically channeled those frustrations in directions other than choice-based school reform. In Arizona, however, school choice advocates found fertile ground. Arizona is one of the most politically conservative states in the nation. Save for 1996, when primary election advertising by Steve Forbes made GOP nominee Robert Dole unpopular, Arizona has voted Republican in every presidential election since 1952, usually by wide margins (Berman 1998: 60).

Currently, the governor, both senators, and five of six U.S. Representatives are Republican (Barone and Ujifusa 1999: 5). The Goldwater Institute, a prominent pro-market think tank, provides moral support and resources to school choice advocates, and the state's culture is receptive to arguments for market competition and for downsizing the public sector. Indeed, the success of market based competition for public services, including fire service, has made Phoenix a vanguard in the movement to reinvent local government (Osborne and Gaebler 1992; Osborne and Plastrik 1997).

Most significantly, Republicans had unified control of the legislature and the governor's office when Arizona's charter school law was adopted. Republicans held solid majorities in both houses of the legislature through the early 1990s. After the 1992 elections, the GOP held 35 of the 60 seats in the House and 18 of the 30 seats in the Senate. In the 1994 elections, they gained three additional seats in the House and another seat in the Senate. These gains gave the Republicans more than 60% of the seats in both the House and the Senate after 1994. Fife Symington served as governor from 1990 until 1997, when he was forced to resign under indictment (Timmons-Brown and Hess 1999). The dominant political position enjoyed by the Republicans allowed them to use the threat of voucher legislation to squeeze union and Democratic opponents of school choice into accepting compromise charter school legislation.

Legislative sponsors placed both voucher and charter school bills on the policy agenda. The influential Arizona Education Association (AEA) and the less powerful Arizona Federation of Teachers (AFT) opposed both reform initiatives, worrying that the proposed legislation could threaten the professional status, job security, and working conditions of professional educators. According to the AEA, as of 1998, approximately 79% of Arizona's teachers were AEA members; AFT leaders claim fewer than 10%. The AEA and AFT argued that because charter

schools would not be required to hire certified teachers, they would undermine the professional teaching force, subverting standards and opening the door for unqualified teachers to serve in charter schools. Even more distasteful to the AEA and AFT than the proposed charter legislation, however, were the proposals for school vouchers.

Interestingly, and with crucial implications for the resolution of the charter school battle, the AEA was politically crippled in 1994 when it was forced to settle with the state attorney general regarding charges that the union had violated campaign finance laws. Attorney General Grant Woods allowed the union to pay a $4,000 civil penalty for making $67,500 in illegal political contributions to its political-action committee in 1990 and 1992 elections ("Teachers Union" 1994). The result was a union weakened and lacking moral authority even as it sought to blunt vigorous pro-choice efforts.

In March 1993, two opposing bills were introduced in the legislature, one in the Senate and one in the House. Senator Bev Hermon (R), chairwoman of the Senate Education Committee, and Senate Majority Leader Tom Patterson (R) co-sponsored the Senate legislation (SB 1200). Senate Bill 1200 proposed to funnel state aid directly to individual schools through a charter school system. It was thought that this would redirect much decision-making power from school boards to teachers and parents, give parents a choice of where to send their children, and eliminate some education mandates. Aid would be based on student enrollment, and would be sent directly to the school to cover operating costs. Any school that received a charter could have the charter renewed after an initial three-year period, if it demonstrated that it had met its stated student performance goals. Charter school supporters liked the bill's assurance that a charter applicant who was turned down by the local school district would be able to seek approval from another school district governing board, the State Board of Education, or the State Board for

Charter Schools (Keegan 1999: 190). This provision meant that local school boards would not be able to squeeze out competitors or retain control over entry into the local educational market. Patterson envisioned charter schools "as a little escape valve to the bureaucracy and domination of the public school districts" (Schultze 1993: B1). One of the sponsors recalls that the original bill "was written by just going into a room and thinking with some other pro-choice advocates and ideologues like myself and thinking what would be an ideal bill; that's how we wrote the bill." A legislative staffer who helped write the bill recalls:

> [Representative] Keegan and [Senator] Patterson told us to be bold, to be creative. While we knew that was a media risk, a public relations risk, we were ready to accept a certain failure rate. We knew that we had to give entrepreneurs freedom to fail. We constantly decided on such matters as allowing districts to charter to go ahead and take that risk, we knew the barriers to entry were going to be a make or break matter, and we wanted as many chartering authorities as possible so people could go to one or another, and we knew that it was more likely that the state board of education would charter and that it was more likely that school districts would charter if they knew there was another path to the goal. I can't claim that it was because of any particular brilliance, it was just that old Wild West adventuresome spirit.

Although SB 1200 passed in the Senate by a vote of 16 to 9, the House did not act on the bill (Timmons-Brown & Hess 1999).

The House bill introduced in 1993, HB 2125, focused on funding initiatives – a decentralized training fund, a New Arizona School Fund, and a School Improvement Fund. Bill sponsors intended the decentralization provisions to shift decision-making power down from the district level to individual schools. The Arizona School Fund was essentially a charter school program under another label. The School Improvement Fund included appropriations from the general fund for at-risk, preschool and all-day kindergarten programs.

In incorporating a number of educational programs, HB 2125 sought to soften the threat posed by the charter school proposal. As part of the strategy to incrementally enhance school

choice while avoiding conflict with those concerned about equitable participation, sponsors also proposed in HB 2125 to fund transportation costs for all students participating in open-enrollment plans[1] and to fund a variety of at-risk, kindergarten, and preschool "model" programs. House Bill 2125 was held in committee and was not reported out. Consequently, no school reform was legislated in 1993.

Charter school advocates enjoyed their first real success in the spring of 1994. After the failure to get any movement on the bills in committee in 1993, charter school advocates gained political traction in February 1994 when Representative Lisa Graham Keegan, who would go on in November 1994 to be elected as Arizona's Superintendent of Public Instruction, introduced HB 2505. Keegan was a second-term representative known as a champion of educational issues. In HB 2505, she proposed a $23 million education initiative that was most notable for its school voucher program. By offering an alternative which would permit public education dollars to flow to private schools, Keegan energized the public school critics even as she made charter schooling appear much more palatable to those who had previously opposed charter school legislation (Timmons-Brown & Hess 1999). Keegan's proposal sparked national attention from leading conservatives. The Directors of Empower American, Reagan Education Secretary William Bennett and Bush Housing and Urban Development Secretary Jack Kemp, touted Arizona as the state where the school voucher campaign would succeed (Germond & Witcover 1994).

As initially proposed in February 1994, HB 2505 also included provisions for charter schooling, expansion of advanced placement programs, decentralization, school report cards,

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[1] "Open enrollment" plans permit students from one school district to attend a public school in another district, if there is sufficient room in the receiving district's schools. Under open enrollment, per pupil funding follows the

"Twenty-First Century Schools," open enrollment, preschools for at-risk children, and training dollars for teachers. This broad-based approach to reform was intended to soften the hostility to vouchers and to help present them as part of a larger effort to enhance education. In providing for school report cards, the measure sought a way to summarize information about schools to help parents choose wisely. Specific information would include "the school's educational goals, a summary of student standardized test results, graduation statistics, safety record and a description of the social services available at the school" (Luther 1995: 12). The "Twenty-First Century Schools" provision allotted funds for facility improvements.

Almost simultaneously, Senator Bev Hermon introduced SB 1375, which offered many of the same programs as Keegan's bill — with the notable exception of vouchers — and at a lower cost. Hermon's bill included provisions for charter schools, school safety grants, decentralization, "Twenty-First Century Schools," open enrollment, and at-risk preschools. Hermon's bill also eliminated the school report card provision. The slimmed-down SB 1375 cost only $10 million, a substantial difference from the $23 million of HB 2505. Nonetheless, both bills were criticized as undermining public schooling. Opponents argued that either vouchers or charters would lead the most accomplished students to abandon the public schools and would deprive these schools of desperately needed funding. The education reform debate shifted as a result of Keegan's move, and centered on the question of whether reform legislation ought to include a school voucher program (Timmons-Brown & Hess 1999).

Conservative forces, including Governor Fife Symington, Keegan, and leading business interests were adamant about including vouchers in any educational reform package. The *Arizona Republic* observed, "Governor Symington and other Republicans have declared that, without

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student from one district to the next.

private-school vouchers, Arizona will just have to wait some more for education-reform legislation" (Greene 1994: B8). Several leading Republican legislators trumpeted their support for the inclusion of vouchers in any legislation. The *Arizona Republic* reported: "One prominent senator confidently announced: 'I've told the caucus I won't vote for school reform without vouchers. The rest is just window-dressing. It is like giving aspirin to cancer patients'" (Greene 1994: B8).

Meanwhile, the education establishment – particularly the AEA, AFT, the Arizona School Boards Association (ASBA), and the Arizona School Administrators (ASA) – refused to consider any reform measure containing a voucher proposal. The threat that voucher legislation would indeed pass escalated as SB 1375 was held in committee while HB 2505 made its way out of committee and to a floor vote. However, moderate Republicans feared that controversy over the voucher initiative would hold up other desired education reforms, such as charter schools. In spring 1994, a third consecutive year of legislative stalemate seemed likely.

By April a consensus began to emerge in support of charter schools, though conservative lawmakers still insisted that any school choice legislation include private schools as well. Heated arguments flared. Democratic State Senator Stan Furman rejected any voucher provision that would permit public funds to flow to private schools since "we are dealing with public money. We are dealing with public schools." Keegan countered, "It is the public's money. It is for the purpose of educating children, not the maintenance of a [public school] system" ("Private School" 1994: 5). After HB 2505 was passed by a 30-28 vote in the House on the last day of its regular session, the Senate narrowly rejected the bill by a three-vote margin. The result left the reform-minded Republican majority without a major education initiative.

In summer, Governor Symington won legislative approval for a special legislative session to consider the charter school issue. In special session, Keegan introduced HB 2002, a simplified and slimmed-down substitute for her controversial and more expensive HB 2505. The new bill dropped the voucher school proposal, but retained charter schools, decentralization, school report cards, at-risk preschool dollars, and open enrollment provisions.

The key opponents of charter schooling reconsidered their strategy during the summer session. Fearing resurgence of a voucher school initiative, and unsure of their ability to beat it back after their narrow spring victory, the key opponents of voucher legislation decided to endorse charter school legislation. Prominent in this repositioning were the ASBA, ASA, and the AEA. Keegan welcomed this change of heart and argued that she had always intended to use the voucher initiative to serve as a red herring which would distract unions from focusing on their opposition to charter schooling. Keegan explained that her strategy was to introduce her charter school proposal, HB 2002, only after HB 2505 had drawn the unions' fire and left them willing to contemplate compromise legislation. Another Republican state legislator recalls that the debate over vouchers pushed school choice opponents into public stands in support of charter schools, as did support for charters from the Democratic National Committee (DNC):

> The [original] bill had vouchers in it, and the opponents of the bill said that it's just a shame that we have all these wonderful reforms---the DNC had sent a letter out to legislators saying that you better be on your toes about charters, they look like they're the coming thing, and they might not be that bad, and so the whole deal was there are so many good things about this bill, it's just not right that you put have this poison pill with vouchers in there so we can't vote for it, so Lisa [Keegan] and Tom [Patterson] and I and a couple of the other people working on the bill said to them "Okay, if we took vouchers out would you vote for the bill?" And they all said "Oh yeah, I'd vote for the bill." And so we took vouchers out in the special session and of course what they said then was "we have to talk about this charter school legislation," and we said no because they were all on very public record cause they had been squirming about having to vote against the education reform bill, and we said no. The deal was, we take vouchers out and you vote for the bill, and so the point of this very long story is, we never did have to negotiate or

> water it down because it never went into the process where we had to buy votes, and we got to make it stick, that a promise was made publicly and the vow was enforceable, so that was how we got that vast and radical form [the bill] was in.

By June 1994, conservative proponents had sacrificed the voucher initiative in order to advance a "strong" charter school bill.[2] With reluctant support from the teacher unions, the ASA, and the ASBS, charter school advocates smelled victory. Near the end of the three-day special session in June, charter school legislation was enacted. The new charter school law stood as one of the "strongest" charter laws in the nation, offering freedom from most public education regulations. Particularly notable were the provisions regarding applicants and sponsors and funding.

First, almost any one could apply to open a charter school. The legislation extended applicant eligibility to any public body, a private person, or any private organization. Second, three governing bodies were permitted to grant charters: school districts, the State Board of Education (SBE), and the newly created State Board for Charter Schools (SBCS). In permitting entities other than the local school district to authorize charter schools, the law broke what charter school theorist Ted Kolderie (1990) has called the "exclusive franchise" held by school districts. Although SBE and SBCS were each allowed to approve 25 charters per year, school districts were allowed to issue unlimited numbers of charters. The existence of several chartering bodies meant that the possibility of receiving a charter was much greater than if only one governing body was authorized to approve charter schools.

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[2] The push for voucher legislation continued even after the passage of charter legislation. During the 1995 session, the legislature considered HB 2127, which would have established a two-year statewide voucher pilot program for fiscal years 1996/1997 and 1997/1998. This legislation would have provided a $3,500 voucher to any student in kindergarten through 12th grade who applied to the program but was not enacted. In 1997, voucher advocates were able to pass a tax credit measure that encouraged taxpayers to support educational scholarship funds to help students attend private schools.

The legislation provided relatively generous funding for charter schools. New charter schools were eligible to receive start-up grants of up to $100,000 for each of their first two years of operation. The start-up funding for the charter schools is provided once the application has been approved, subject to the condition that projected per pupil spending will be comparable to the average statewide per pupil expenditures. This provision was included to ensure that charter school operators were not pocketing the start-up funds by launching shoestring operations. In 1997, the *Arizona Daily Star* estimated that the state allocated approximately $33 million to charter schools, roughly $4,040 per charter school pupil (Tapia 1997). ADE officials estimate this as 5-10% below mean per pupil expenditures of Arizona districts schools, though more than for some low income districts with limited local tax bases.

The charter school law also includes provisions to protect teacher employment benefits. A charter school teacher maintains his/her rights of certification, retirement, and salary status if the teacher was previously a teacher in the school district. The ability of charter school teachers to return to district schools was also protected by legislative language which mandated that teachers would not have to forfeit their salary status or benefits if they left for a charter school and then returned to the district. This provision helped reduce opposition to charter schooling among teachers and increased the number of teachers willing to teach in charter schools.

Policy Implementation

Charter schools and the regulatory authorities, such as the State Board of Education and the Arizona Department of Education, encountered many problems due to the hurried manner in which the charter school legislation was implemented. The charter legislation was approved on June 17, 1994, and it took effect just three months later—on September 16, 1994. Because no appropriation had been tied to the legislation, and because there was little planning time for the

Arizona Department of Education (ADE) to develop a regulatory framework, the beginning of the 1994 school year was marked by confusion and frustration. The state was ill-equipped to deal with inquiries and applications by those wishing to open schools for fall 1995.

Despite these complications, charter schools proliferated rapidly. Fifty-five charter campuses operated during the 1995-1996 school year. As Table 1 shows, that increased to 119 in 1996-97, 222 in 1997-1998, and 272 in 1998-99. By the fall of 1999, 351 charter school campuses were serving more than 40,00 students, about 5% of Arizona's public school enrollment (Miller 1997; Shokraii and Youssef 1999). Not everyone who received a charter actually opened a campus, and that some charters were the consequence of applicants simply switching from one chartering authority to another. For example, when two small, low income districts on the Navaho Reservation which had chartered about two dozen schools (charging operators for their charters) announced that they would rescind their charters en masse, the schools chartered through different districts or through one of the state level chartering authorities.

*** TABLE ONE ABOUT HERE ***

The rapid growth of the charter system demonstrates significant demand for different education options, and a ready supply of entrepreneurial teachers, administrators, and social workers wishing to supply those options. Preliminary analyses suggest that as of fall 1999, about 13% of Arizona charter school operators are private schools converting to charter status. In contrast, 25% of operators were former district school administrators; 25% were businesspeople; 23% were former social workers; and 23% were former district school teachers, with 2-5% started by parents, college professors and administrators, and charter and private

school teachers. (The percentages add up to well over 100% since some schools are operated by teams and many operators have varied backgrounds.)

The supply of alternative education could not have been produced without the political activism of the newly formed State Board for Charter Schools (SBCS) and the revenue maximizing strategy of a few local school districts. In contrast, the Arizona State Board of Education (ASBE) was less active. By the fall of 1998, the State Board for Charter Schools had granted 110 charters, while the SBE had chartered 62 (Maranto & Gresham 1999: 100). The aggressive attitude of the SBCS levied political pressure on the ASBE to authorize more schools. A member of the SBCS bragged to us, "[The board] is not a fuddy-duddy, do-nothing group...We've done a lot of analysis looking for loopholes [in the regulations]" as part of a concerted effort to increase the rate of charter expansion."

Local districts had granted just 35 charters between 1995 and 1997, although they were the only charter-granting authority unencumbered by a charter school cap. As is noted above, virtually all were chartered by two low income Navaho districts, Window Rock and Ganado. These districts chartered schools which actually operated in other districts, charged the operators substantial fees ranging from a flat $3,000 to 5% of revenues, and used this money to help fund their district schools. Under pressure from the state, Window Rock and Ganado ceased this practice and rescinded their charters in 1998, prompting two other districts in need of revenue, rapidly growing Higley and low income Peach Springs, to take over the role.

There are obvious financial incentives for local school districts to approve charters operating in other districts, but not in their own districts. In Arizona, state subsidies accounting for a mean of 57% of k-12 education expenditures follows enrollment; thus a charter school opening in or near a district could reduce that district's budget, while one opening in a distant

district would have no impact. Second, as noted, the charter law empowers local districts to issue an unlimited number of charters. Third, the extent to which districts are required to carefully supervise their charters is unclear, making local districts a very attractive authorizer for charter operators who want to avoid much supervisory interference. Due to the ambiguity in the law regarding charter school accountability, school districts can approve charters without assuming the headaches of oversight. Interviews suggest that Window Rock, Ganado, and Peach Springs have done little to oversee "their" charter schools. For this reason, as of February 2000, the state legislature is considering a bill which would end the practice of school districts chartering school operating in other districts, and this measure has considerable support from charter backers.

In contrast to other actively chartering districts, Higley district staff visit each charter school site at least quarterly, provide advice on complying with state and local regulations, and through contractors manage charter financial records. Higley officials report that they gain about $1.2 million in revenue from charter schools, but spend about two-thirds of that on support for charters. Indeed, Higley may provide better oversight than either state board. Both ASBE and SBCS are understaffed, and lack the resources to visit their charter sites on even an annual basis. Notably, some Higley and Peach Springs charter schools are switching to ASBE or ASCB status, since those bodies do not charge fees.

Whatever the sponsor and wherever they locate, charter schools are free to innovate rather than follow convention. Both nationally and in Arizona, charters serve a variety of age groupings, though few Arizona charters are middle schools. In 1998, of the 255 charter campuses open or approved to open, nearly half crossed conventional age groupings, while 72 were essentially high schools and 55 were essentially kindergarten or elementary schools (K-5).

Only a handful of the charters were for middle schools. Elementary charter schools were the most common because they were the easiest for charter operators to open and to run. Whereas high schools are expected to provide relatively expensive services, such as sports teams, musical opportunities, and well-equipped science laboratories, the demands on elementary schools are simpler and more straightforward. The more homogenous services provided by elementary schools also make them more affordable, because high school operators have to attract a larger group of students in order spread out the cost of their differentiated services. Consequently, as will be noted below, charter high school campuses tend to target "at-risk" populations.

As is the norm across the nation, Arizona charter schools are generally small. In part, this is due to the fact that many charter entrepreneurs create their schools because they want to create close-knit and familial learning communities. When the Arizona charter schools were surveyed in 1998, the median number of students in the elementary schools was 110. In stark contrast, the similar figure for district elementary schools was 590. Similarly, charter secondary schools had a median enrollment of 65 students, while the district secondary schools had a median of 871 (Maranto & Gresham 1999: 107-108).

Charter operators are relatively unconstrained in determining their curricula, and there is much variation among schools. Stout and Garn (1999) report that as of fall 1998, roughly 47% of charter elementary school students attended content-centered schools, typically advertising a "back to basics" approach. Thirty-five percent of students attended child-centered schools, usually Montessori or "Montessori-like" programs. The remaining 18% attended schools with a wide range of other curricula, including bilingual, arts-based, and Waldorf programs. In 1997, 35 of the 54 charter secondary schools in operation were for at-risk students, most of whom had failed in district schools. One career official in ADE has explained that, because most students

attending charter high schools are at-risk students who are likely to inflate drop-out statistics, the public schools are not particularly concerned about competing for the students. ADE officials noted that some district school officials call ADE to ask about charter school options for their at-risk students, and use the charter schools as a resource for those students. Some charter school operators also view their role as cooperative—rather than competitive—and seek to locate in districts where they are welcome. One such school is PPEPTEC. The second largest charter franchise in Arizona, PPEPTEC provides basic literacy and vocational training at fourteen campuses around the state, and only opens schools where welcomed by the local school district.

Oversight and Charter School Accountability

In Arizona, the Republican state legislature and governor have nurtured and protected the state's charter schools. State authorizers and financial and special education regulators have not closed schools for inadequate compliance with special education regulations and untimely paper work. Instead, they have worked with operators who seemed to act in good faith. Indeed, in one case the charter school office at ADE helped a troubled charter for at-risk youth apply for and win a federal grant for curriculum development. The in-service training helped turn the school around, and it survived.

Part of the effort to nurture charter schools was the conscious decision of policymakers to limit the funding for regulation and administration of the charter school system. This was done to prevent a new bureaucracy from developing around the charter school reform. One of the consequences was that financial and special education regulators at ADE were forced to share responsibility for implementation, approval, and oversight with chartering authorities and with the state attorney general. In addition, even as the responsibilities of ADE were expanding, Superintendent of Education Lisa Graham Keegan cut staff by 27%. As a result, ADE was

constantly scrambling to catch up to changing circumstances, and found itself with little opportunity to plan strategically or anticipate change in the charter school arena.

Charter school authorizers have three fundamental responsibilities: processing and acting upon applications for new charter schools, monitoring charter schools' compliance with their charters, and determining whether charters should be renewed or terminated (Hassel and Vergari 1999). Staffed largely by charter supporters, and encouraged by the legislature to focus on getting new schools launched, the SBCS focused on the application process rather than oversight. Surprisingly, the less aggressive and less pro-charter SBE was also found to focus more on the application process than on oversight (Garn & Stout 1999). Early on, both boards were overwhelmed by interested charter entrepreneurs. During the first round in fall 1994, 105 applications arrived Most of the applications came from teachers rather than profit-making enterprises. The boards developed a three-step approval procedure during the 1997-98 application cycle, which consisted of completing the application, getting it approved, and signing the accountability contract once the school had opened. Much more time was devoted to the application approval process itself than to any other area of authorizer responsibilities. In fact, once schools actually opened, authorizers had little or no contact with the schools unless parental complaints or ADE financial or special education regulators called failings to their attention.

In theory, charter school criteria for accountability should be set out in the charter. In practice, early charters in particular did little to specify student achievement levels, and charter supporters and opponents we interviewed agreed that that accountability requirements were generally superficial, a finding in accord with Garn and Stout (1999). Both ASBE and SBCS required charter schools to complete an annual written report detailing outcomes and progress toward the goals in their charters. However, the authorizers did not mandate any particular

format for these annual reports, and the decision about what information to include was made by the individual charter operators. Charter operators and ADE officials frequently termed the annual reports a mere formality. Charter school operators were expected to make an annual oral report to the authorizing board, in conjunction with their written reports, but these tended to be informal and unsystematic. As noted above, the ASBE and SBCS had an informal goal of visiting each of their charter schools annually, but lacked the staff to do this.

After receiving complaints from a number of charter school faculty and parents about unresolved problems in charter schools, ADE introduced a department-wide charter school monitoring program during 1996-97 to supplement more special education and financial monitoring by ADE, and to fill the void since authorizing bodies (with the exception of Higley) did not monitor charter schools. One administrator recalled that ADE would hear "horror stories" from the field, but that ADE would have no way of independently monitoring the schools or knowing how valid the complaints were (Garn & Stout 1999: 151). Two ADE members worked full time on the project, with advice and assistance from several dozen staffers from across ADE, as well as charter operators, district school officials, and university professors. The program began informally, with efforts to respond to and to investigate specific complaints from parents, teachers, and charter opponents, but by the fall of 1996, a more systematic monitoring approach was in place.

ADE monitoring teams examined seven general dimensions in accord with its interpretation of the charter legislation: (1) purpose of the charter; (2) special area emphasis, curriculum design, innovation; (3) student assessment program; (4) operational structure; (5) parent and student satisfaction; (6) school finance, reporting, enrollment, verification; and (7) statutory and statement of assurances review (Garn & Stout 1999: 152). ADE would send forms

detailing these seven areas to schools several week before a site visit, and charter school directors were required to explain in writing how they were addressing each of the requirements. During the site visit, ADE auditors would compare what they observed with the claims of the school operators.

In theory, the ADE oversight process was intended to yield comprehensive reports on charter school activities and performance. However, when the reports were publicly released, they were generally in the form of handwritten notes. Summary sheets for the monitor to complete were part of each reporting packet. These sheets were intended to permit the evaluator to summarize the performance of the school, whether it was complying with the law and with its charter. In fact, two scholars found the summary sheets blank or missing in roughly two-thirds of the monitoring reports they analyzed in 1998. Most of the monitoring notes were not formally typed up, the information from the reports was not formally collated or passed on to a coordinator, and neither the charter school authorizers nor the charter school boards heard much about the monitoring visits (Garn & Stout 1999: 153).

Despite this relaxed approach to regulation, 19 charter campuses closed during the charter program's first four years; all in part for financial reasons and related to financial audits from the Auditor General's office. ADE officials believe that the schools which closed typically suffered a combination of mediocre educational programs, which led to low enrollments, which led to financial irregularities. These led ADE financial regulators to warn the schools that they would soon lose their charters for fiscal reasons, which hurt enrollments further. ADE officials report that three for-profit charters, Success Schools, Alternative Learning Center, and Arizona Vocational Training, with accounted for 14 of the 19 closed campuses, were each threatened with losing their charters. Each had expanded too quickly, and was unable to survive state sanction.

Success, which at one point had nine campuses, had its charter revoked, sued to get it back, but then surrendered the charter once and for all. Arizona Vocational Training had its charter revoked. Alternative Learning Center was thought to have a sound academic program, but also expanded too quickly and went bankrupt. The School was evicted over the summer and did not reopen. Similarly, Sterling Academy misestimated enrollment and closed after a week of operation. American Grade School is a successful charter franchise with five campuses, but when it attempted to open a new campus in the very competitive Flagstaff market it did not attract adequate enrollment and closed within a few days. ATOP Academy expanded too quickly and had academic and special education difficulties, and closed its Phoenix campus under pressure from the state and declining enrollments. At this writing ATOP seems likely to close its remaining campus after the current school year. Finally, and most notoriously, the operator of Citizen 2000 apparently committed financial irregularities and is currently under investigation. She closed the school suddenly, declaring bankruptcy.

Notably, all of the charter closings and warnings were for financial abuses, rather than due to solely pedagogical or curricular concerns, though as stated, ADE officials believe that schools with poor academic records will have difficulty retaining students and thus suffer financially. To help parents make informed choices in the education market and thus hold charter (and other public) schools accountable, ADE uses School Report Cards. These report cards are available on the internet at http://www.ade.state.az.us and include standardized test scores, disciplinary and criminal infraction statistics, personnel information, the school's mission statement, and an academic calendar. Where comparable, district and state mean scores are also provided.

One oversight challenge likely to be of interest in other states emerged due to the system of funding charter schools based on per pupil enrollment. Since parents often apply to several schools in Arizona's plentiful charter school pool, and since they do not always opt to attend when admitted, operators find it difficult to predict fall enrollments. This is particularly problematic given the small sizes of the charter schools. In some cases, charters overestimated fall enrollments and received overpayments, which they then had to refund. The ADE has agreed to generous repayment plans to avoid forcing schools into bankruptcy.

Charter schools have made efforts to interpret regulations to their best advantage, and not necessarily in ways consistent with the spirit of the law. For instance, like other Arizona public schools, charters are paid for student transportation costs on the basis of vehicle miles traveled. The subsidy is set $1.95 per vehicle-mile traveled on the assumption that busing costs are high. Certain charter schools collected the subsidy, paid parents $.30 a mile to transport their own children, and then pocketed the difference, for a state-wide profit of about $3.6 million in 1996. As a result, the legislature modified the legislation so that schools are now reimbursed at flat rate of $174 per student for transportation expenses. This subsidy is paid regardless of whether the schools provide transportation (Hartley 1999: 200).

In order for a market-based system to work as intended, it is crucial that customers have sufficient information to make good decisions (Garn and Stout 1999). If parent-customers are not making such decisions, then good performance by schools will go unrewarded and ineffective schools will have little incentive to improve. Just what constitutes "sufficient" information is open to debate, as a long line of political science research has suggested that most people make most decisions based on very little information (Popkin 1991). Nonetheless, market discipline can be imposed because the vague directives of a small number of rational individuals

may be enough to provide discipline and direction (Schneider et al 1998). Whether Arizona's chaotic and imperfect administrative accountability system, combined with market accountability through parental decisions and based on school report cards, is sufficient to ensure charter school accountability is a question subject to debate (Maranto et al 1999: 241-43).

Charter School Controversies, Trends, and Questions

One of the key contentions for market-based school reform is that competition will compel all schools — including traditional district schools — to improve (Kolderie 1990, Chubb and Moe 1990). Because schools that lose students will lose per pupil funding, charter advocates suggest that public schools will seek to improve their performance and offer new services in order to retain their current students and to attract new ones. However, there is also reason to believe that the structure of schooling and the nature and training of school personnel may inhibit their ability or desire to respond to market pressures. With its hundreds of charter schools, Arizona provides a valuable opportunity to examine this hypothesis.

Anecdotal evidence suggests that Arizona district schools, in a manner consistent with the findings of previous research, have reacted to competition from charters in a variety of ways. First, it is important to recognize that most districts do not evince any visible reactions. This is due in part to the fact that Arizona public schooling has grown rapidly throughout the 1990s, dwarfing losses due to charter enrollment and leaving many school districts hurting for space. It is also due to the structure of public school systems, in which administrators are poorly equipped to monitor their systems, to evaluate the competition, or to compel their employees to respond to the threat posed by charter schools (Hess 1999).

Five regions in the state, generally more urban regions such as Tucson, Phoenix, or Flagstaff, have shown clear evidence of a competitive response to the presence of charter

schools. Some districts have sought to provide improved service when confronted with visible charter competition. The Roosevelt District, an inner-city Phoenix district hit hard by competition from charters, sent letters to all charter parents in the district to ask why they had left the district schools and explain how the district would serve them better in the future. The nearby Isaac District had teachers and administrators home-visit all their parents to address concerns. The largest district in the state, Mesa Unified, regularly sends policy staff to the SBE charter school office to study charter school applications, in order to check up on the competition. Since 1996, Mesa has conducted customer service training for teachers and staff and developed a program to make welcome charter parents who may wish to return to district schools. Along with several smaller districts nearby, Mesa also offered all-day kindergarten after nearby charter schools started to offer this option. Districts have also sought to provide curricular programs that are in particular demand. In some locales, observers have suggested that the spread of charter schools has forced district schools to place more emphasis on phonics instruction.

Traditional school districts have also stepped up their public relations efforts, including an increased effort to advertise in newspapers. The Flagstaff district distributes leaflets comparing district test scores with those of neighboring districts. The Mesa district has taken to advertising in newspapers and local movie theaters. Research conducted in 1998 suggests that district schools with collegial work environments give their teachers more power over curricula and internal school operations (Hess et al. 1999). These schools appear to find it easier to foster productive work relationships and to involve teachers more fully when they have a history of cooperation to build upon. Also, because charter schools are often launched by energetic and

respected teachers, school districts may also be more likely to cooperate with innovative teachers in order to keep them in the fold.

Finally, competition can also provoke negative responses. Charter operators insist that some district officials seek to squash competition, by spreading rumors asserting racism or that charter schools are in fragile fiscal condition. Some district teachers who decided to found or teach at charter schools report being ostracized by their former colleagues. Moreover, charter operators complain that district schools are sometimes unwilling to accept transfer credits from charter schools while district officials counter that some charter schools offer non-standard courses.

Three key conflicts that have emerged in Arizona relate to church-state relationships, the education of disabled children, and concerns about nepotism. Charter critics have worried that religion has crept into some charter schools. For instance, Heritage Academy had a curriculum that included the teaching of creationism (Kull 1996) while the NFL-YET Academy in South Phoenix was found by a charter school board official to have a prayer and picture of the Virgin Mary hanging on an office wall (Pearce 1998). Critics have also argued that charter schools practice both subtle and overt discrimination against disabled children in order to escape the expenses associated with providing for them. For instance, one account reported that an attorney for the Arizona Center for Disability Law had received more than 200 calls from charter school parents during the 1997-98 school year (Hartley 1999: 202). The absence of bars to nepotism in charter schools have meant that there are a number of cases in which family members have served as board members or employees at schools where questionable behavior was found to have taken place (Hartley 1999).

The Charter School Movement in Arizona

The Arizona experience demonstrates just how significant charter schooling may prove to be. In less than five years, charter schools have become an institutionalized element of the state's educational system. The political success of the charter school advocates has reshaped the way policymakers and educators discuss accountability and schooling, encouraging those wishing to put more emphasis on outputs (test scores) and less on inputs (funding and compliance). However, it is important that analysts neither romanticize nor demonize charter schooling. Charter schools in Arizona have not proved to be a panacea, but neither have they wrought widespread harm. Rather, they have unleashed untapped entrepreneurial energy, have allowed some families to find schools they prefer, and have led to some malfeasance and isolated disasters. Whether these consequences are positive or negative on balance is difficult to state, and depends largely on what one thinks of the existing Arizona public schools and how one conceives of the mission of schooling more generally, and in particular, whether schooling should be controlled by parents and by education providers, or by elected and appointed officials in school districts.

On a more general level, there are several larger implications that emerge from an examination of the charter school movement in Arizona. Perhaps most interesting is the central paradox of market-based educational reforms: the extent to which the impact of charter schooling depends upon political support. Without the threat of a voucher law, Arizona would not have passed a strong charter law. Further, supportive legislators and regulators have helped charter schools to develop and grow. Under a less pro-market regulatory regime, Arizona charter schools would not have flourished. Similarly, the Arizona experience suggests that educational

markets benefit from a strong central authority that seeks to provide information to parents and polices the system, missions which ADE has not always proven effective at.

Arizona has demonstrated that charter schooling can unlock enormous entrepreneurial energy from parents and teachers. While charter schools are not inventing out of whole cloth new modes of education, they are making alternatives, such as Montessori schools, available to thousands of families.

Finally, despite the rapid growth of charter schooling in Arizona, it does not appear that charter schools will replace district schools at any point in the near future. The number of charter campuses doubled or nearly doubled the first two years of the charter law, but has increased by only 22% and 29% in the two years since. The charter sector has added an additional 1% of total public school market share each year, for a gradually slowing relative rate of growth. In part, this may be because some districts and traditional schools are seeking to make changes to retain students and teachers.

By way of closing, it is useful to note two lingering questions that remain unanswered. Perhaps most important, it is not yet clear whether charter schools do a better job of educating students than do district schools. In part since the state moved from Iowa Tests to Stanford Nine tests in the second year of the charter reform, there is no time series data to judge student performance. In the best comparison of the two sectors, Stout and Garn (1999: 168-69) report that charter school "student achievement as measured by the Stanford Nine test looks just about the way one would expect, given the audiences of the schools, and very much like scores reported in district public schools." More recent, unpublished analyses by the Goldwater Institute and the authors suggest that charter schools boast annual mean gains in student achievement virtually identical to those in district schools.

*** TABLE 2 ABOUT HERE ***

For example, as Table 2 shows, the scant evidence available suggests that charter and district schools seem to be equally likely to produce a "standard" academic year of gain in reading and math. This analysis was conducted by the ADE for students taking state achievement tests in 1998 and 1999 who remained in the same schools from one year to the next. For reading scores, charter schools do better for two grades, district schools do better for two grades, and the sectors are tied for a third. For math scores, charters do better for three of the five grades, but for each subject, the differences are marginal. Given that most Arizona charter schools are less than four years old, such achievement results can be successful, though perhaps less successful than school choice proponents had promised.

Second, while the evidence thus far suggests that charter schools tend to serve disadvantaged populations —particularly at the high school level — and that they do not seem to be promoting segregation (Milliman et al. 1999), there is uncertainty about the long-term implications for equity. Given the tentative state of our knowledge, and with the realization that some questions are not answerable in an empirical sense, there is still much for us to learn from Arizona in the years ahead.

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Table 1: Charters granted in Arizona by year and by Board.

Board	1995	1996	1997	1998	1999
State Board for Charter Schools	25	20	25	25	25
State Board of Education	20	24	12	6	10
Local School Districts	5	20	10	29	10
Total charters granted each year	50	64	47	60	45
Total campuses open	55	119	222	272	351
Total number of charter school students	7,500	16,000	26,000	34,000	40,000 (est.)
As % of Arizona public school students	1%	2%	3.3%	4.4%	5.1% (est.)

Source: Policy and Planning Staff and the Arizona Department of Education.

Table 2: Comparisons of academic performance: % schools posting one year academic growth (from 1998 to 1999) by grade and subject

	% of schools posting gain from grade 3 to 4	% of schools posting gain from grade 4 to 5	% of schools posting gain from grade 5 to 6	% of schools posting gain from grade 6 to 7	% of schools posting gain from grade 7 to 8
READING					
All Public Schools[1]	87%	27%	84%	53%	82%
Charter School	80%	31%	75%	63%	82%
Number of charter schools[2]	(25)	(26)	(15)	(16)	(16)
MATH					
All Public Schools	77%	67%	90%	46%	48%
Charter Schools	85%	54%	82%	65%	60%
Number of charter schools	(27)	(28)	(17)	(17)	(20)

Source: Policy and Planning Staff and the Arizona Department of Education

[1] "All public schools" include charter schools. The number of charter schools has been a small enough portion of the state total that the ADE has not calculated the district public school total separately from that of all public schools (including charter schools).

[2] Most existing charter schools could not be included in this data set, because of insufficient numbers of students in a single grade. For inclusion in the state calculations, schools must have at least eight students continuing from one grade to the next.